



JENNIFER M. GRANHOLM
GOVERNOR

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

KEITH MCILIN
EXECUTIVE DIRECTOR

LANSING

August 14, 2009

Lehman Brothers Derivative Products, Inc.
745 Seventh Avenue
New York, New York 10019

RE: NOTICE OF DEMAND FOR REPAYMENT

Dear Sir or Madam:

On May 10, 2000, Lehman Brothers Derivative Products, Inc. ("LBDP") entered into an ISDA Master Agreement by and between LBDP and the Michigan State Housing Development Authority, a public body corporate and politic ("MSHDA" or the "Authority").

On September 16, 2008, LBDP assigned its rights, duties, and obligations under the Master Agreement to its affiliate, Lehman Brothers Special Financing, Inc. ("LBSF").

On November 5, 2008, pursuant to Section 6(a) of the Master Agreement, MSHDA gave notice to LBSF that an Event of Default under Section 5 (a)(vii) of the Master Agreement had occurred. As a result, MSHDA elected to terminate the Master Agreement and designated November 5, 2008 as the early Termination Date. The settlement amount was determined in accordance with the Master Agreement and paid on November 7, 2008.

On November 28, 2008, LBDP sent MSHDA's bond trustee, US Bank ("USB"), a swap transaction invoice relative to the Confirmation Agreements. Even though MSHDA did not owe a payment, USB transferred \$2,390,915.82 of MSHDA's funds to LBDP on December 1, 2008. This transfer of funds was in error given the assignment had taken place on September 16, 2008 and the termination of the Master Agreement on November 5, 2008.

THE AUTHORITY HEREBY NOTIFIES LEHMAN BROTHERS DERIVATIVE PRODUCTS, INC. THAT IT IS REQUIRED TO REPAY THE AUTHORITY THE \$2,390,915.82 TRANSFERRED IN ERROR.

The Authority expressly reserves the right to exercise any or all rights and remedies provided under applicable law to seek repayment in full by LBDP or any other Lehman entity to the Authority. The Authority's failure to immediately exercise such rights and remedies shall not be construed as a waiver or modification of those rights or an offer of forbearance.

Terms used in this letter without definition shall have the meanings assigned to them in the ISDA Master Agreement. The description of the ISDA Master Agreement provisions contained herein are for your information and convenience only and shall not be deemed to limit, amplify



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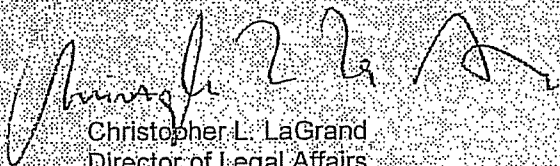


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or modify the terms of the ISDA Master Agreement or any other document associated with this transaction.

Please contact the undersigned should you have any questions regarding this notice. Your failure to pay in full the indebtedness by the close of business on September 1, 2009 will result in legal actions by the Authority to collect the funds owed.

Sincerely,



Christopher L. LaGrand
Director of Legal Affairs
Michigan State Housing Development Authority
Phone: 517-373-8295



Jeffrey Sykes
Director of Finance
Michigan State Housing Development Authority
Phone: 517-373-1890

Cc: The Office of the United States Trustee
Attn: Brian Shoichi Masumoto, Esq.
33 Whitehall Street
21st Floor
New York, New York 10004